

Q2 2016



Contra Costa County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Contra Costa County In Brief

Contra Costa County's allocation of sales and use tax from the unincorporated area's April through June sales was 2.4% higher than last year's spring quarter. Actual sales activity was up 0.4% after factoring for onetime, retroactive corrections resulting from the county's ongoing monitoring.

Recent additions to the boat/motorcycle and garden/agricultural supply categories, a generally solid quarter for restaurants and some classifications of business-industrial purchases plus a rise in receipts from the countywide use tax allocation pool all contributed to a healthy actual increase. However, those gains were offset by declining fuel prices and the completion of projects that had previously inflated tax receipts from petroleum related products and equipment.

Adjusted for aberrations, sales and use tax receipts for all of Contra Costa County including its cities, declined 0.3% over the comparable time period while the nine county bay area region as a whole was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alamo Hardware	Mid Valley Agricultural
Alamo Shell	New York Times Sales
Albemarle	Nor Cal Mastercraft
Amec Foster Wheeler E & C Services	S & S Tool & Supply
BDV Chevron	Safeway
Blackhawk Country Club	Safeway Fuel
Brickyard Building Materials	Sams Club
Colonial Energy	Shell
County Asphalt	Sports Authority
Dead Fish	Sunstate Equipment
General Plumbing Supply	United Rentals
McGuire Harley Davidson	Walgreens
	Wesco Distribution

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,471,776	\$2,486,696
County Pool	396,763	447,107
State Pool	2,137	895
Gross Receipts	\$2,870,676	\$2,934,698
Cty/Cnty Share	921,595	948,509
Net Receipts	\$3,792,271	\$3,883,207
Less Triple Flip*	\$(948,068)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

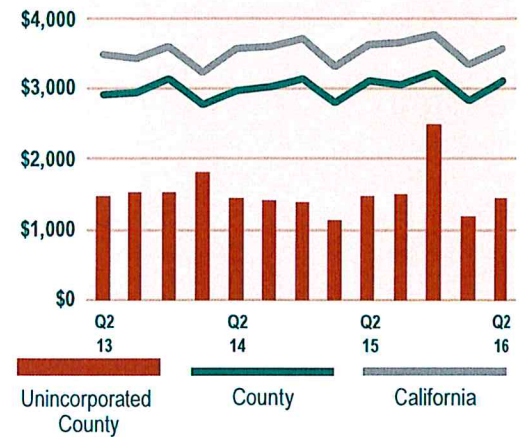
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

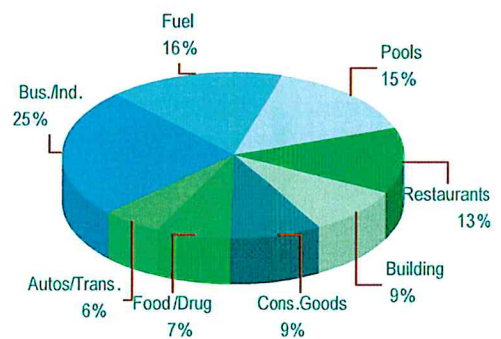
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Contra Costa Co. Uninc This Quarter



CONTRA COSTA COUNTY TOP 15 BUSINESS TYPE

*In thousands of dollars		Unincorporated County		County	HdL State
Business Type	Q2 '16*	Change	Change	Change	Change
Boats/Motorcycles	69.3	46.2%	17.0%	6.3%	
Business Services	51.7	2.8%	-23.8%	0.9%	
Casual Dining	164.3	13.2%	5.4%	4.4%	
Contractors	154.2	6.5%	44.3%	6.3%	
Discount Dept Stores	—	CONFIDENTIAL	2.3%	0.7%	
Drugs/Chemicals	58.4	440.6%	44.5%	2.8%	
Electrical Equipment	—	CONFIDENTIAL	274.8%	23.4%	
Garden/Agricultural Supplies	97.1	24.7%	26.1%	5.6%	
Grocery Stores Liquor	—	CONFIDENTIAL	2.5%	1.2%	
Leisure/Entertainment	84.3	6.4%	-3.2%	5.3%	
Light Industrial/Printers	200.8	35.7%	10.1%	0.2%	
Petroleum Prod/Equipment	81.4	-72.2%	-26.6%	-31.1%	
Quick-Service Restaurants	100.7	-0.6%	5.4%	6.6%	
Repair Shop/Equip. Rentals	79.8	10.8%	-5.0%	4.2%	
Service Stations	388.1	-10.9%	-19.4%	-19.2%	
Total All Accounts	2,486.7	0.6%	1.2%	-0.6%	
County & State Pool Allocation	448.0	12.3%	13.0%	15.2%	
Gross Receipts	2,934.7	2.2%	2.9%	1.4%	
City/County Share	948.5	2.9%			
Net Receipts	3,883.2	2.4%			